PROVINCE OF SASKATCHEWAN

SPECIAL REPORT BY THE PROVINCIAL AUDITOR

TO THE LEGISLATIVE ASSEMBLY

May 23, 1989

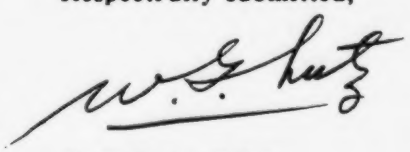
89-04941/

May 23, 1989

To the Members of the Legislative Assembly:

Pursuant to Section 13 of The Provincial Auditor Act, I submit to the Legislative Assembly this special report.

Respectfully submitted,



W. G. Lutz, F.C.A.,
Provincial Auditor.

SPECIAL REPORT BY THE PROVINCIAL AUDITOR

TO THE LEGISLATIVE ASSEMBLY

May 23, 1989

1.00 In view of the comments made in the Legislative Assembly on May 19, 1989, by the Minister of Justice, which I think reflect on my integrity, I am submitting this special report so that the Members have all the relevant facts regarding my actions.

1.01 On March 10, 1989, my lawyer, Mr. Gordon Neill, was speaking to Mr. Larry Kyle who was representing the Crown Investments Corporation of Saskatchewan (CIC) regarding the interpretation of The Crown Corporations Act, 1978, relevant to the payment of $2.7 million reported in paragraph 5.05 of my 1988 annual report. Following the discussions, Mr. Kyle suggested to Mr. Neill that possibly a better working relationship could be established between the executive government and the Provincial Auditor's office through their joint auspices.

1.02 Mr. Neill advised me of this conversation and I authorized him to work with Mr. Kyle on this matter. Subsequently, Mr. Kyle and Mr. Neill met on March 23, 1989.

1.03 On March 23, 1989, I received a letter from Mr. Neill saying that Mr. Kyle suggested meetings take place between the office of the Provincial Auditor and representatives of the executive government and/or the crown agencies to deal with three issues as follows:

1. To identify aspects of joint audit proposals and negotiate terms.

2. To consider and approve any required statutory amendments to The Provincial Auditor Act.

3. To have the participation of the Provincial Auditor in determining his successor, following his retirement.

See Appendix I.

1.04 On April 6, 1989, I sent my draft annual report to the Audit Committee as required by Section 23 of The Provincial Auditor Act.

1.05 On April 7, 1989, one of my officials discussed joint audits with Mr. Ed Kendrick, Clarkson Gordon. Mr. Kendrick informed him that joint audits were not acceptable to his side and suggested alternatives. See Appendix II.

1.06 One of my officials had additional meetings with Mr. Ed Kendrick.

1.07 On April 14, 1989, I made a proposal to Mr. Kyle under cover of a hand written note written by Mr. Neill (Appendix III) Mr. Neill was moving his office on that day and Mr. Kendrick was anxious to finalize the matter. See Appendix II.

I was informed by Mr. Neill that he imposed the conditions he did because he was concerned:

1) that if the appointment of Mr. Wendel following my retirement was not made, that the recommendation remain confidential, and

2) that the details of a Deputy Minister's contract not be made public as I received it in confidence and it formed the basis of the calculation of my retirement allowance in accordance with sub-section 4(3) of The Provincial Auditor Act. Mr. Neill had already expressed his opinion on that contract to me on December 7, 1988. See Appendix IV.

1.08 Appendix V is the proposal referred to in Appendix III.

In it I address the three points raised by Mr. Kyle. (See paragraph 1.03) My proposals were:

1) A letter be sent to all crown corporations, crown-controlled corporations, appointed auditors and the Provincial Auditor asking for the co-operation of all parties. In the discussions with Mr. Kendrick my proposal for joint audits was rejected. This letter linked with proposal 2 below was a compromise on my part which I believe would enable me to fulfill my statutory responsibilities.

2) A written undertaking be received that a legislative change be made to have my estimates considered at the Board of Internal Economy to give my office independence from the executive government, the same as other officers of the Legislative Assembly, a suggestion I have made for many years in my annual reports.

3) In accordance with the convention established in Saskatchewan, I recommended an internal succession. This proposal was made because I was asked to address this subject (see paragraph 1.03). I also said in my proposal that if my recommendation was acceptable to the executive, I would consult with the Chairman of the Public Accounts Committee as required by Section 3(1) of The Provincial Auditor Act. I believe that the process for the appointment of my successor is established by The Provincial Auditor Act and convention.

4) The question of my retirement was raised by Mr. Kyle. I was prepared to retire effective July, 1989 if this, in the opinion of the executive government, would create a more harmonious relationship between my office and the executive government.

In fact, on December 6, 1988, I had included in my budget request to Treasury Board an amount of $112,000 to fund the benefits payable to me under The Provincial Auditor Act upon retirement. See Appendices IV and VI.

In answer to this request Treasury Board advised me to apply for a special warrant should the need for this funding be realized. This is what I proposed.

If my proposals were accepted, I intended to report as follows:

1) satisfactory solutions had been negotiated to ensure I would have access to all information I need and I would consider this part of the accountability process repaired, and

2) the annual report would be my last annual report because I was retiring.

This is in accordance with my practice to report where I am satisfied that corrective action is being undertaken.

In order to allay any fears that I might not retire as I offered, I suggested my retirement letter be placed in escrow.

1.09 On April 17, 1989, Mr. Neill met with Mr. Kyle regarding my proposals. I was informed Mr. Kyle was concerned with the linking of my retirement and the appointment of my successor with the other proposals. I am informed that Mr. Neill explained, in general, my reasons for making the proposals in the form they are set out in this report.

1.10 Accordingly, I instructed Mr. Neill to make the proposal contained in the letter of April 20, 1989, because my retirement was not in issue. This letter was tabled in the Legislative Assembly on Friday, May 19, 1989. See Appendix VIII which also contains the attachments referred to in the letter.

1.11 On April 21, 1989 Mr. Kyle proposed to Mr. Neill changes to the letter to be sent to all crown corporations, crown-controlled corporations, appointed auditors and the Provincial Auditor. Mr. Neill's rough notes of these proposed changes were made on his file copy of the draft letter. See Appendix IX.

1.12 I then authorized Mr. Neill to inform Mr. Kyle that these proposed changes were acceptable except for the deletion of the words "crown-controlled corporations". If these words were deleted, it would necessitate a change to the proposed paragraph in my annual report. See Appendix X.

1.13 On April 25, 1989, I met with the Audit Committee to discuss my draft annual report.

1.14 Since my proposal for a directive from the executive government to all concerned that they are required by law to furnish the information that the Provincial Auditor deems necessary to fulfill his duties and that his estimates be considered by the Board of Internal Economy were not accepted, I was unable to report in my 1988 annual report a satisfactory resolution of my concerns.

1.15 I submit that the facts demonstrate I have not done or contemplated doing anything that would violate the laws of Saskatchewan or the standards of my profession.

NEILL LAW OFFICE
BARRISTERS AND SOLICITORS

G. J. K. NEILL
J. A. T. STRUTHERS

201 - 2114 - 11TH AVE.
REGINA, SASKATCHEWAN. S4P 0J5
TELEPHONE (306) 525-5284

TELECOPIER
(306) 569-1203

March 23, 1989

Provincial Auditor
1500 Chateau Tower
1920 Broad Street
REGINA, Saskatchewan
S4P 3V7

Dear Sirs:

RE: PROVINCIAL AUDITOR - GENERAL

Further to my telephone conversation with Mr. Lutz this morning, this will confirm that I met with Mr. Kyle earlier today. He told me that, over breakfast, he had met with Mr. Ed Kendrick from Clarkson Gordon; Wolfgang Wolfe, the President of the Crown Management Board; and the Chief of Staff from the office of the Minister of Finance.

In order to try and resolve some of the problems that you have encountered, it has been suggested that meetings take place between your office and representatives of the Executive Government and/or the Crown Agencies to deal with three issues as follows:

1. To identify aspects of joint audit proposals and negotiate terms;

2. To consider and approve any required statutory amendments to The Provincial Auditor Act;

3. To have the participation of the Provincial Auditor in determining his successor, following your retirement.

I suggested that initially a meeting take place between Mr. Kendrick and your representative (probably Brian Atkinson) to discuss the technical aspects of point (1) above. Both sides should enter the negotiations with the objective of making the Executive Government fully accountable to the Legislature, while avoiding confrontation, which seems to arise inevitably from the present system. I-1

I promise to get back to Mr. Kyle as soon as possible and, accordingly, I look forward to hearing from you at your earliest convenience.

Yours truly,

Brian
When you have had an opportunity to review this please call me and we can discuss it. Wellyou would like to have the draft to Dan have tomorrow if possible.

Regards
Ed

With the Compliments of

Edward R. Kendrick, C.A.

Clarkson Gordon

A MEMBER OF ARTHUR YOUNG INTERNATIONAL
Chartered Accountants

900 Bank of Montreal Building
2103-11th Avenue
Regina, Canada S4P 3Z8
Telephone: (306) 569-1234
Telecopier: (306) 757-4753

NOTE: To Be Sent To:

The Chairman of the Board and CEO of the applicable entities,
Managing Partners of applicable C. A. Firms, and
The Provincial Auditor

April 12, 1989

Dear Sirs:

Recent discussions with the office of the Provincial Auditor have centered on concerns regarding the inability of his office to obtain information from Crown entities and their private sector auditors and disagreements with private sector auditors primarily resulting from, in the view of the Provincial Auditor, inappropriate reporting, failure to report and inappropriate treatment of particular items. A number of these matters are presently the subject of hearings by the Professional Conduct Committee of the Saskatchewan Institute of Chartered Accountants. These problems are symptomatic of a breakdown in the statutory and professional processes established for the audit of public sector monies and Crown controlled corporations. The continuation of these problems is not in the interest of any of the parties involved and is unacceptable to this government.

Although there may be some scope for future amendments to clarify relevant statutory provisions, it appears as though a greater willingness on the part of all the parties involved to cooperate and communicate on an on-going basis throughout the audit process would substantially improve the situation.

In order to avoid any possible misunderstanding regarding the position of this government and its crown corporations, crown controlled corporations and government pension plans on this matter, the position is summarized as follows:

- All such entities audited by private sector auditors are not to discourage any communication between their auditors and the Provincial Auditor's office regarding accounting and audit issues and other matters which their auditors consider potentially contentious.
- Provincial Auditor requests for specific information regarding such entities audited by private sector auditors, when such information is required to enable him to carry out his duties under Section 12, are to be complied with.
- The Provincial Auditor and the private sector auditors are encouraged to comply fully with the spirit of existing professional standards governing the relationship between auditors.

With regard to the foregoing, it should be recognized that where entities are audited by private sector auditors, the role of the Provincial Auditor relates solely to matters of legislative compliance, internal control opinions and the reporting of any other matters of significance and of a nature that should be brought to the attention of the Members of the Legislative Assembly pursuant to Section 12 of the Provincial Auditor Act and the communications should be limited to matters of relevance to his responsibilities with regard to these entities.

Yours truly,

The Honourable Gary Lane
Minister Responsible for
The Provincial Auditor Act

Regina
April 12/89

Harry Kyle Q.C.

Dear Harry,

I am enclosing a package received from the Provincial Auditor on the following two conditions:-

(1) That it is made without prejudice and will be returned on demand.

(2) That it is accepted the contents will remain confidential (need to know) and if not accepted the same condition applies.

I will expect a response to this letter as soon as possible

Yours truly,

APPENDIX IV

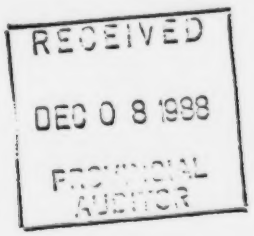
NEILL LAW OFFICE
BARRISTERS AND SOLICITORS

G. J. K. NEILL
A. T. STRUTHERS

201 - 2114 - 11TH AVE.
REGINA, SASKATCHEWAN, S4P 0J8
TELEPHONE (306) 525-5284

TELECOPIER
(306) 569-1203

December 7, 1988



Provincial Auditor
1500 Chateau Tower
1920 Broad Street
REGINA, Saskatchewan
S4P 3V7

Dear Sirs:

RE: **PROVINCIAL AUDITOR - THE PROVINCIAL AUDITOR ACT**

Thank you for your letter of November 2, 1988. In my opinion, the appointment and terms of appointment of the Provincial Auditor are contained in The Provincial Auditor Act and the Order-in-Council naming the person to the position. In the case of the present incumbent, pursuant to Section 32(1), Mr. Lutz was deemed to be appointed to the position without any Order-in-Council.

Pursuant to Subsection 8(5), the Provincial Auditor is given the power to administer, manage, and control the office of the Provincial Auditor. This, subject to other provisions of the Act, gives him the right to fix his own hours and other terms of employment. If he did not devote enough time to his duties to enable him to fulfill his responsibilities under the Act, he could, of course, be removed from office for cause and on the address of the Legislative Assembly but, in my opinion, so long as he fulfilled his duties under the Act, he would be entitled to set his own hours and to allow himself reasonable holidays. He is not subject to The Public Service Act, or the regulations under that Act, since it applies only to the public service, which means service in respect of the executive Government of Saskatchewan. In fact and in law, the Provincial Auditor is an Officer of the Legislative Assembly.

The salary to be paid to the Provincial Auditor is to be determined pursuant to Subsections 4(1) and (2) of The Provincial Auditor Act. The purpose of Subsection 4(3), in my opinion, is to express the intent of the Legislature that since his salary is tied to the salaries of deputy ministers and acting deputy ministers, the Provincial Auditor is entitled, at least, to receive, in addition, any privileges of office and economic adjustments provided to deputy ministers. Specifically, in accordance with the draft contract of personal employment provided to me, which, you inform me, is the standard form now used with respect to the employment of deputy

ministers, it is apparent that upon expiration or termination of his contract of employment for reasons other than just cause, a deputy minister is to be paid an amount equal to 2 months salary for each year of service to a maximum of 12 months salary. Since this is clearly an economic adjustment, in my opinion the Provincial Auditor is entitled to the same payment upon the expiration or termination of his employment for reasons other than just cause.

Subsection 4(3) of The Provincial Auditor Act does not, in my opinion, limit the privileges of office and economic adjustments to those provided to deputy ministers. The Provincial Auditor has been given, as I have said, management and control of his office and so has the right to control economic adjustments and privileges of office for himself and the others working in the office so long as his statutory duties are fulfilled and if he is working reasonably within any proper budgetary restraints. So the Provincial Auditor does not necessarily lose his SDO's because of the agreement made between the executive government and its deputy ministers, but the agreement is a factor he may wish to take into account in deciding the policy to be applied in his own office with respect to himself. I believe that the Provincial Auditor, in entering into contracts of personal service with his employees, has been guided by the standards set in the public service generally. Whether or not this change in government policy and the resulting change in the terms of employment of deputy ministers is something he wishes to follow is up to him. There may be other reasonable considerations that would militate in favour of a contrary decision.

I trust this opinion is of assistance to you. If you require further amplification or clarification, please do not hesitate to get in touch. I am pleased to have been of service and enclose my account.

Yours truly,

NEILL LAW OFFICE

Per:

GJKN:nln

Enclosure

A. I propose the following solution to my concerns about interference with the Provincial Auditor.

1. A legislative amendment to The Provincial Auditor Act that calls for the Provincial Auditor to have his Estimates set by the Board of Internal Economy, in the following form:

The following section be added after section 19 of The Provincial Auditor Act.:

"19.1 (1) The Provincial Auditor shall present to the Board of Internal Economy the estimates of the sums of money that are required to be provided by the Legislature for the purposes of this Act.

(2) That Board shall review the estimates and make any alterations that it considers proper, and shall thereafter concur in the estimates.

(3) The Speaker shall cause the estimates to be laid before the Legislative Assembly and the Assembly may refer the estimates to a Standing Committee of the Legislative Assembly pursuant to the rules of the Legislative Assembly.

(4) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is a member of the Board of Internal Economy and designated by the Speaker.

(5) For the purposes of applying for a special warrant under Section 33 of The Financial Administration Act, the member of the Executive Council designated by the Speaker shall be the Minister responsible for the matter and, when the Speaker reports to the Minister that the appropriation is exhausted or insufficient and that the expenditure is urgently and immediately required for the public good, the Minister shall recommend to the Lieutenant Governor in Council that a special warrant be prepared.

2. A letter from the Minister of Finance to the Provincial Auditor, all appointed auditors, crown agencies and crown-controlled corporations requiring the co-operation of all parties, in the following form:

Note: To Be Sent To:

The Chairman of the Board and CEO of the applicable entities,
Managing Partners of the applicable C.A. Firms, and
The Provincial Auditor.

April 14, 1989

Dear Sir:

Recent discussions with the Office of the Provincial Auditor have centered on concerns regarding interference with the Provincial Auditor in the performance of his duties under The Provincial Auditor Act. This interference results from the inability of his office to obtain information from Crown entities and their appointed auditors.

Also, there is a concern regarding the process for resolving disagreements between the appointed auditors and the Provincial Auditor. A number of these disagreements are presently the subject of hearings by the Professional Conduct Committee of The Saskatchewan Institute of Chartered Accountants.

These problems are symptomatic of a breakdown in the statutory and professional processes established for the audit of Crown agencies and Crown controlled corporations. The continuation of these problems is not in the interest of any of the parties involved and is unacceptable to this government.

It appears a greater willingness on the part of all parties involved to co-operate and communicate on an on-going basis would substantially improve the situation.

In order to avoid any possible misunderstanding regarding the position of this government and its crown agencies and crown controlled corporations on this matter, the position is summarized as follows:

- all such entities audited by appointed auditors are to encourage communications between the appointed auditors and the Provincial Auditor's office regarding accounting issues, audit issues and other matters considered potentially contentious.

.....3

- when the Provincial Auditor requests specific information from such entities audited by appointed auditors to enable him to carry out his statutory duties, his requests for specific information are to be complied with directly by the entities.

- the Provincial Auditor and the appointed auditors are encouraged to comply fully with the spirit of existing professional standards governing the relationships between auditors.

It is imperative that all parties involved ensure all matters of importance are resolved jointly before any external communications are made.

Yours truly

The Honourable Gary Lane
Minister Responsible for
The Provincial Auditor Act.

B. I wish to retire quietly.

There has always been internal succession in the office. In the past, the Provincial Auditor has recommended his successor. I propose that Mr. Wendel be appointed Provincial Auditor by Order-in-Council effective the date of my retirement in the following form:.

TO HIS HONOUR

THE LIEUTENANT GOVERNOR IN COUNCIL

The undersigned has the honour to recommend that Your Honour's Order do issue pursuant to the provisions of The Provincial Auditor Act:

(1) Appointing Grant Fred Wendel, Provincial Auditor for Saskatchewan.

(2) The appointment of Grant Fred Wendel shall have effect on and from the date of retirement of Willard Horace Gordon Lutz, the Provincial Auditor for Saskatchewan.

Recommended by:

_____
Minister of Finance

Approved by:

_____
President of the Executive Council

Ordered by:

_____
Lieutenant Governor

Regina, Saskatchewan.

If my recommendation is acceptable to the Executive, I will discuss my retirement with the Chairman of the Public Accounts Committee to ensure compliance with subsection 3(1) of The Provincial Auditor Act. If he is agreeable, I will advise you and retire the later of the date I see the Order-in-Council or July 31, 1989.

The Provincial Auditor Act requires that I receive the same salary and privileges of office as deputy ministers. Deputy ministers are entitled to a lump sum payment when they leave office.

Therefore, I require a special warrant for $112,000 to fund a lump sum payment and holiday pay when I retire.

V-4

My resignation notice will be placed in escrow immediately with my lawyer as part of this process.

The conditions of the escrow will be as follows:

.....5

- the letter from the Minister of Finance is issued;
- the enactment of the legislative amendment;
- the Order-in-Council for the appointment of Mr. Wendel issued; and
- the special warrant is received.

C. If these things are done or a written undertaking is received with regard to the legislative amendment and the special warrant, I will consider this part of the accountability process repaired. I will report accordingly and I will retire.

Provincial Auditor Saskatchewan
1500 Chateau Tower
1920 Broad Street
Regina, Canada
S4P 3V7

Memorandum

From . W. G. Lutz, Provincial Auditor.

Date December 6, 1988

Phone

To . Pauline Rousseau, Analyst,
Treasury Board Division,
Saskatchewan Finance.

Your File

Our File

Re . Line Item Budget

Attached please find 3 copies of the 1989-90 Executive Summary and Line Item Budget for the Provincial Auditor Saskatchewan.

W. G. Lutz

Attach.
/sw

1989-90 Budget Request

Executive Summary

Office of the Provincial Auditor

The Provincial Auditor Act established the Provincial Auditor as an Officer of the Legislative Assembly. The legislation sets out the Provincial Auditor's responsibilities to audit and report. The Provincial Auditor's role is carried out by auditing and reporting to the Legislative Assembly when the actions of the executive branch of government run contrary to the wishes of the Legislative Assembly.

The funding request is the amount considered necessary to discharge the Provincial Auditor's responsibilities under The Provincial Auditor Act.

The funding request includes a non-continuing expenditure of $112,000 because of the forthcoming retirement of the Provincial Auditor. This amount represents 4% of the requested 9.4% expenditure increase.

If the office is required to operate at the 1988-89 funding level, the Provincial Auditor's ability to discharge his statutory responsibilities will be adversely affected.

Financial Summary

	1988/89 Blue Book	1989/90 Budget Request	% Change to Blue Book
Expenditures ($000's)	$2,891	$3,162	9.4%

Revenue Plan

	1988/89 Base Budget	1989/90 Revenue Amount
Revenue ($000's)	$100	$ 50

BALFOUR, MOSS, MILLIKEN, LASCHUK & KYLE

BARRISTERS & SOLICITORS

JAMES BALFOUR, K.C. (1895 - 1947)
R.M. BALFOUR, Q.C. (1923 - 1968)

ROY B. LASCHUK, Q.C.
A. JOHN BEKE, Q.C.
*BRIAN J. SCHERMAN
JAMES T. LYON
WILLIAM L. SOFTLEY
ROGER J.F. LEPAGE
BOB M. WASYLIW
RICK M. VAN BESELAERE
*DAVID C. KNOLL
LYNNE I. McNEILL
GEORGE E. NYSTROM
ROD C. SIMALUK

LARRY A. KYLE, Q.C.
FRED McBETH
D.E. WAYNE McINTYRE
JENNIFER GARVIE PRITCHARD
RODGER W. LINKA
DALE R. DOAN
GLEN S. LEKACH
*ELKE CHURCHMAN
*VERNON J. KISS
RUTH M. SPETZ
JEFF N. GRUBB

COUNSEL
E. JOHN MOSS, Q.C.
ROBERT A. MILLIKEN, Q.C.
THE HON. R. JAMES BALFOUR, Q.C.

*RESIDENT IN SASKATOON

BANK OF MONTREAL BUILDING
700 - 2103 - 11th AVENUE
REGINA, SASK., CANADA S4P 4G1
TELEPHONE: (306) 347-8300
TELECOPIER: (306) 569-2321
TELEX: 071-2376

850 - 410 - 22nd STREET EAST
SASKATOON, SASK., CANADA S7K 5T6
TELEPHONE: (306) 665-7844
TELECOPIER: (306) 652-1586

RECEIVED
APR 1 ? 1989
MERCHANT, BURNETT
REGINA, SASK.

IN REPLY PLEASE REFER TO OUR REGINA OFFICE

WRITER'S DIRECT LINE 347-8304

April 18, 1989

Mr. Gordon Neill
100-2401 Saskatchewan Drive
Regina, Saskatchewan S4P4H9

Dear Gordon:

Re: the Provincial Auditor
Our file: 284.00-32 LAK

I am returning the material conveyed to me with your letter of April 14, 1989. One photostatic copy of it, the only one made, has been destroyed. I have expressed my concerns.

If the matter is to proceed, it should proceed along the lines of your providing a form of letter which is acceptable to your client, along with a listing of those other requirements which he imposes as a condition of a further review of his presumably critical report. The form of letter originally presented by Mr. Kendrick to Mr. Atkinson is the best form we can offer, the form you provided us is unacceptable.

When providing the next communication in this sequence, it should not be subject to confidentiality restrictions as it will be presented to the Minister of Finance who will, of necessity, have to communicate it to other people without such conditions.

Yours truly,

Larry A. Kyle

LAK:EW
Encs:

April 20, 1989

Mr. Larry Kyle, Q.C.,
700 - 2103 - 11th Avenue,
Regina, Saskatchewan.

Dear Larry:

Re: The Provincial Auditor
Your file: 284.00-32 LAK

Thank you for your letter of April 18th, which I received late yesterday afternoon. You initiated this process to see if there was some common ground which would result in the Provincial Auditor being able to fulfil his statutory duties with the full co-operation of the executive government without impairing accountability. The annual report in draft form which your clients have apparently seen, I am advised, reflects the Provincial Auditor's concern in what he considers to be interference with him in the performance of the function of his office impairing the accountability process.

My client has suggested that joint audits of the crown corporations and crown-controlled corporations would go a long way to overcoming some of the difficulties. This was rejected by your side. My client has suggested that the executive government ensure that he has full access to whatever information he deems necessary (as his Act provides) together with a statutory amendment to allow for the review of his budget by the Board of Internal Economy rather than the present system. If this were done he indicated that he could retire quietly upon the appointment of his successor, knowing that his successor would be able to fulfil the responsibilities of the office in a more harmonious atmosphere. He would, of course, expect to receive on retirement the same allowances and economic adjustments that are provided Deputy Ministers in accordance with The Provincial Auditor Act. He also recommended that his successor be appointed internally in accordance with the convention that has been established in this Province, Ontario, Manitoba, Alberta, P.E.I., Newfoundland, and Nova Scotia. These proposals have been rejected by you. You have made no counter proposal.

....2

The Provincial Auditor is prepared to continue in office so the appointment of a successor is not emergent. All that is required to overcome the difficulties is a directive from the executive to all concerned that they are required by law to furnish the information that the Provincial Auditor deems necessary to fulfil his duties and that his estimates be reviewed by the Board of Internal Economy.

I am enclosing:

1) A draft letter with respect to the former, and

2) A draft of the statutory provision with respect to the latter,

for your consideration.

I am advised that if speedy acceptance of both these proposals is confirmed in writing, the Provincial Auditor will amend his Report to reflect that satisfactory steps have been negotiated to answer his concerns. He is also prepared to consider alternative wording of the enclosed drafts to accomplish the same objective. However, any changes in the Report will have to be made before the Audit Committee review on Tuesday, April 25, 1989.

I look forward to hearing from you.

Yours truly,

G. J. K. Neill

Encls.
/sw

Note: To Be Sent To:

The Chairman of the Board and CEO of the applicable entities,
Managing Partners of the applicable C.A. Firms, and
The Provincial Auditor.

April 14, 1989

Dear Sir:

Recent discussions with the Provincial Auditor have centered on his concerns in the performance of his duties under The Provincial Auditor Act. The Provincial Auditor's concerns result from the inability of his office to obtain information from Crown entities and their appointed auditors.

Also, there is a concern regarding the process for resolving disagreements between the appointed auditors and the Provincial Auditor.

The continuation of these problems is not in the interest of any of the parties involved and is unacceptable to this government.

It appears a greater willingness on the part of all parties involved to co-operate and communicate on an on-going basis would substantially improve the situation.

In order to avoid any possible misunderstanding regarding the position of this government and its crown agencies and crown controlled corporations on this matter, the position is summarized as follows:

- all such entities audited by appointed auditors are to encourage communications between the appointed auditors and the Provincial Auditor's office regarding accounting issues, audit issues and other matters considered potentially contentious.

- when the Provincial Auditor requests specific information from such entities audited by appointed auditors to enable him to carry out his statutory duties, his requests for specific information are to be complied with directly by the entities.

- the Provincial Auditor and the appointed auditors are encouraged to comply fully with the spirit of existing professional standards governing the relationships between auditors.

.....2

It is imperative that all parties involved ensure all matters of importance are resolved jointly before any external communications are made.

Yours truly

The Honourable Gary Lane
Minister Responsible for
The Provincial Auditor Act.

The following section be added after section 19 of The Provincial Auditor Act.:

"19.1 (1) The Provincial Auditor shall present to the Board of Internal Economy the estimates of the sums of money that are required to be provided by the Legislature for the purposes of this Act.

(2) That Board shall review the estimates and make any alterations that it considers proper, and shall thereafter concur in the estimates.

(3) The Speaker shall cause the estimates to be laid before the Legislative Assembly and the Assembly may refer the estimates to a Standing Committee of the Legislative Assembly pursuant to the rules of the Legislative Assembly.

(4) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is a member of the Board of Internal Economy and designated by the Speaker.

(5) For the purposes of applying for a special warrant under Section 33 of The Financial Administration Act, the member of the Executive Council designated by the Speaker shall be the Minister responsible for the matter and, when the Speaker reports to the Minister that the appropriation is exhausted or insufficient and that the expenditure is urgently and immediately required for the public good, the Minister shall recommend to the Lieutenant Governor in Council that a special warrant be prepared.

Note: To Be Sent To:

The Chairman of the Board and CEO of the applicable entities,
Managing Partners of the applicable C.A. Firms, and
The Provincial Auditor.

April 14, 1989

Dear Sir:

Recent discussions with the Provincial Auditor have centered on his concerns in the performance of his duties under The Provincial Auditor Act. The Provincial Auditor's concerns result from ~~the inability of his office to obtain~~ information from Crown entities and their appointed auditors.

Also, there is a concern regarding the process for resolving disagreements between the appointed auditors and the Provincial Auditor.

The continuation of these problems is not in the interest of any of the parties involved ~~and is unacceptable to~~ this government.

It appears ~~a~~ greater ~~willingness on~~ the ~~part of~~ all parties ~~involved to co-operate and communicate~~ on ~~an on-going~~ basis would substantially improve the situation.

In order to avoid any possible misunderstanding regarding the position of this government and its crown agencies ~~and crown controlled corporations~~ on this matter, the position is summarized as follows:

- all such entities audited by appointed auditors are to encourage communications between the appointed auditors and the Provincial Auditor's office regarding accounting issues, audit issues and other matters considered potentially contentious.

- when the Provincial Auditor ~~requests~~ specific information from such entities audited by appointed auditors to enable him to carry out his statutory duties, his requests for specific information ~~are to~~ be complied with directly by the entities.

- the Provincial Auditor and the appointed auditors are encouraged to comply ~~fully~~ with the spirit of existing professional standards governing the relationships between auditors.

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It is imperative that all parties involved ensure all matters of importance are resolved jointly before any external communications are made.

Yours truly

The Honourable Gary Lane
Minister Responsible for
The Provincial Auditor Act.

April 21, 1989

BY COURIER

Mr. Larry Kyle
c/o Balfour, Moss
Barristers and Solicitors
Bank of Montreal Building
700 - 2103 - 11th Avenue
Regina, Saskatchewan
S4P 4G1

Dear Mr. Kyle:

RE: PROVINCIAL AUDITOR - GENERAL
YOUR FILE NO: 284.00-32 LAK
OUR FILE NO: 55-101

Further to our telephone conversation of today discussing the terms of the draft letter to be sent to the Minister of Finance for approval, which I sent you under cover of my letter of yesterday's date, the changes that we discussed cause no difficulty except for the deletion of the words "and Crown-controlled corporations" in the fifth paragraph of the draft. If these words are deleted, the first sentence in the penultimate paragraph in my letter of April 20, 1989, is hereby amended to read as follows:

> "I am advised that if speedy acceptance of both these proposals is confirmed in writing, the Provincial Auditor will amend his report to reflect that satisfactory steps have been negotiated to answer his concerns, except with respect to Crown-controlled corporations, although he understands that legislative changes are being contemplated."

This should not be taken as meaning that the legislative changes are approved by the Provincial Auditor who, of course, has not seen them.

Yours truly,

MERCHANT BURNETT
Gordon J. K. Neill

GJKN:nln